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From:

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To:

Cc:

Subject: RE: Indirect Method of Proof of Income in TEFRA Context

It is my understanding that an IRP transcript provides a taxpayer's W-2 and 1099 information. To that end, use of an IRP transcript would not be an indirect method of proof of income. See IRM 4.10.4.2.8, *Indirect Method* ("The indirect method involves the use of circumstantial evidence to determine the tax liability based on omitted income, overstated expenses, or both. Circumstantial evidence is evidence from which more than one logical conclusion can be reached.").

Thus, partnership items would convert to nonpartnership items only if the bank deposits analysis proves income exceeding that arising from the IRP transcript.